Retirement Board of the
PARK EMPLOYEES' ANNUITY AND BENEFIT FUND

55 East Monroe Street
Suite 2720
Chicago, Illinois 60603
Tel. # (312) 553-9265
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www.chicagoparkpension.org

December 1, 2014

Re: REMINDER - suspension of COLA in 2015

To the Retirees of the Fund:

In March of this year, the Fund sent a letter to the retirees which addressed the impact of Public Act 098-0622. The first change to impact the retirees is that there will be no COLA in 2015. In other words, your retirement annuity will not increase in 2015. There will also be no increase in 2017 and 2019, however, in 2016, 2018, 2020 and thereafter, it will increase according to the formula discussed in the March letter to the retirees, which is repeated below:

On January 7, 2014 Governor Quinn signed SB 1523 into law which is now Public Act 098-0622. A summary of the provisions, the first of which take effect January 1, 2015, can be found on the Fund's website. Without this much needed legislation, the Fund very likely would run out of money in 2023. This legislation provides sustainable funding that will secure the long–term health of the Fund. It affects all stakeholders; the employer, employees and retirees and is phased in over a five year period. The following is an explanation of how this legislation impacts you.

As a retiree, you receive what is referred to as a "basic retirement annuity", which is computed based upon your final average salary and years of service. This legislation has no impact on the computation of your basic retirement annuity in any respect and will provide that you receive this annuity in the future.

Assuming that you reached the required minimum age of 60, or you retired under 60 with at least 30 years of service, you currently receive an annual increase, sometimes referred to as a "COLA", above your basic retirement annuity. That increase has been 3% of the annuity granted at retirement.

The legislation makes two changes to this increase in the retirement annuity. First, there will still be annual increases, but they will be computed differently. The increase will be the lesser of ½ of the increase in inflation the previous year, as measured by the Consumer Price Index-Urban ("CPI-U"), or 3% of the annuity granted at retirement. Example: if in 2015 the CPI-U increases by 2%, in 2016 your retirement annuity will increase by 1%. If CPI-U rose by 5%, the increase in the retirement annuity would be 2.5%.

For a number of years now, the 3% annual increase in the basic retirement annuity has resulted in the annuity payment growing at a significantly greater rate than inflation. If you have been receiving the annual increase since 2008, between June of 2008 and June of 2012 your annuity increased by 12%. During those same four years, the increase in the CPI-U was 4.9%, or less than half the rate of increase in your annuity. If you have been receiving the annual increase since 2006, between June of 2006 and June of 2012 your annuity increased by 18%, while the CPI-U over that same period was 13%. The rate of inflation in 2013 was 1.5%. Most forecasters also predict low inflation (below 3%) in 2014 as well. In 2014 annuitants are still scheduled for their 3% increase in the basic retirement annuity.

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The **second** change consists of a suspension of the COLA in three alternating years: 2015, 2017 and 2019. Your annuity will not increase in those years. In 2016, 2018, 2020 and thereafter, it will increase according to the formula discussed in the preceding two paragraphs.

The new legislation does not affect the annuity for surviving spouses. The average surviving spouse annuity is 50% of the average service annuity. Thus the legislation does not modify the annual increase in the surviving spouse annuity – they will continue to receive the annual increase provided for in the Pension Code.

Finally, as noted above, this legislation affects all stakeholders. Current employees will be required to increase their contributions from 9% of salary to 12% and most will be required to retire at a later age. The Park District will be required to nearly *triple* its contributions to the Fund (the Park District currently contributes 1.1 times the amount of employee contributions; under this legislation, the multiplier is ultimately increased to 2.9 times the amount of employee contributions). Also, the Park District will be required to contribute an *additional* $75 million between 2015 and 2019 to help support the Fund and this legislation provides for the Fund's ability to sue to enforce the funding commitments.

Please feel free to contact me should you have any questions.

Very truly yours,

Dean J. Niedospial

Dean J. Niedospial
Executive Director

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Dean J. Niedospial
Executive Director

Jaime L. McCabe
Comptroller

March 31, 2014

To the Retirees of the Fund:

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As a retiree, you receive what is referred to as a "basic retirement annuity", which is computed based upon your final average salary and years of service. This legislation has no impact on the computation of your basic retirement annuity in any respect and will provide that you receive this annuity in the future.

Assuming that you reached the required minimum age of 60, or you retired under 60 with at least 30 years of service, you currently receive an annual increase, sometimes referred to as a "COLA", above your basic retirement annuity. That increase has been 3% of the annuity granted at retirement.

The legislation makes two changes to this increase in the retirement annuity. First, there will still be annual increases, but they will be computed differently. The increase will be the lesser of ½ of the increase in inflation the previous year, as measured by the Consumer Price Index-Urban ("CPI-U"), or 3% of the annuity granted at retirement. Example: if in 2015 the CPI-U increases by 2%, in 2016 your retirement annuity will increase by 1%. If CPI-U rose by 5%, the increase in the retirement annuity would be 2.5%.

For a number of years now, the 3% annual increase in the basic retirement annuity has resulted in the annuity payment growing at a significantly greater rate than inflation. If you have been receiving the annual increase since 2008, between June of 2008 and June of 2012 your annuity increased by 12%. During those same four years, the increase in the CPI-U was 4.9%, or less than half the rate of increase in your annuity. If you have been receiving the annual increase since 2006, between June of 2006 and June of 2012 your annuity increased by 18%, while the CPI-U over that same period was 13%. The rate of inflation in 2013 was 1.5%. Most forecasters also predict low inflation (below 3%) in 2014 as well. In 2014 annuitants are still scheduled for their 3% increase in the basic retirement annuity.

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